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Dear Ms Zhu

Distribution Price Control Review - Business Plan Questionnaire relating to Distributed Generation

With reference to Martin Crouch's letter dated 21st March 2003, the following represents the views of both Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc.

As the level of detail within this questionnaire will allow individual generator connection sites to be identified (both existing connections and possible future sites), together with the costs associated with their connections it is important that this information will remain strictly confidential to Ofgem. This information would have commercial benefit to others and much would be confidential to the individual generator developer/owner.

Taking each set of tables in turn, our comments are:

1. Historical Information (Tables 1.x)

These are clearly defined and should not present many issues. Some date information may be approximate (such as 'connection application date') due lack of definition and no historic need to have a definition, perhaps particularly for some of the smaller lower voltage connected schemes.

'Average annual output' (Table1.1a) data will be difficult to obtain since we have not until recently logged HH export data for these connections, and indeed for smaller connections these units are simply netted off demand. We would only be able to track 'export' units.

With data for sites that have upgraded/expanded (e.g. a single 1MW landfill site has added an additional 1MW generator unit), some guidance or interpretation of the data will be required. Scenarios could be that the original connection and expansion phases both occur within the 'historic' time period, or the original connection took place prior to April 2000 and expansion within the 'historic' period.

'Average duration of constraints (MWh/yr)' (Table 1.1c)- We would not have data to calculate this since it would be dependant on network topology/assets, fault rates/repair time, maintenance regimes and the coincidence of these with generator output at particular times.

'Implications on QoS Performance' (Table 1.1c)- this area raises many questions on method of assessment, and could be highly subjective. Such information has not been calculated as a matter of course in generator connection assessments and it would be a time consuming exercise to retrospectively do so even if a consistent methodology could be defined.

2. Interim Period Forecast (April 2003 - March 2005)

In addition to the points raised under Historical Information (which equally apply to this Interim Period), the main difficulty here is to 'forecast' projects that will be commissioned during the period. Should the guidance be to include ALL projects that have requested a Firm Connection Offer, and exclude all others still at feasibility stage? Clearly the smaller, and shorter timescale projects would probably not be captured by this approach. Our experience is that even some medium size projects (1 to 10MW) aim to move from firm offer to connection in less than 12 months.

Enquiries for connection, particularly at feasibility stage, often involve requests for a number of options to be considered in terms of size/export capacity. Again guidance might be required for us to make a judgment and perhaps only enter one option to avoid over or double counting enquires, unless the response wants to capture all options and is not concerned with double counting.

3. Future Baseline (Apr 2005 to March 2010)

I would suggest here that the DNO would have very few (if any!) projects that it could have 'reasonable confidence' over commissioning in this time frame.

4. Future Incremental

Specific research/study work would be required to be undertaken by each DNO based on various scenarios for DG and fuel resources available in its licensed area. The two month response time between finalising the BPQ and completing it will be challenging if meaningful results are to be obtained.

All historic data and current projections of future distributed generation are based on the existing regulatory regime and the existing deep connection charge boundary.

Hence whilst the factors highlighted in your letter (overall percentage of the renewable targets being met etc.) are important parameters in defining the scenarios, equally important factors are assumptions on the boundary of connection charges, the form of any incentive to connect generation and whether the distributors investment will need to be borrowed or financed during the price control period. If these were not key parameters in the forward looking scenarios there would be no need to change the connection boundary or introduce incentives for distributors to connect generation.

Given the large number of important variables, it would be pragmatic to define two base scenarios in terms of a future regulatory structure (one as now and one with shallower connection charges and an kW/kWh price control incentive) against which a couple of distributed generation penetration scenarios could be tested. Whilst this approach would yield less information than the suggestion of deriving £/kW and/or p/kWh unit costs for connections at various locations and differing voltage levels under the defined scenarios, it would still generate a significant workload.

It is important that clearly defined definitions are developed, otherwise variations between distribution companies are more likely to reflect interpretation rather than real differences in underlying costs.

Please do not hesitate to contact me should you require clarification on any of the above.

Yours sincerely

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Regulatory & Government Affairs Manager